

City of Nashua, New Hampshire

Presentation to Special Water
Committee

Required Findings

- That the acquisition of stock, rather than the direct acquisition of plant and property, will provide a more orderly method for the city to establish, own, and operate a municipal water utility consistent with the purposes of RSA 38.
- That the acquisition of stock, rather than the direct acquisition of plant and property will be financially beneficial to the city and its customers and will, therefore, be in the best interests of the city and provide a public benefit.

Orderly Method

- Today, Pennichuck Corporation operates its three regulated utilities and its water services company as an integrated whole.
- Under Eminent Domain, the City was authorized to purchase only one regulated utility, Pennichuck Water Works .
- This approach would have created significant financial and operating problems:
 - Critical operating employees and management would have been lost.
 - The remaining two regulated utilities would not have been economically viable on their own.
- The City planned to address the operating issue by hiring a third-party operator.
- The PUC addressed the “orphan” utilities issue with a \$40 million mitigation fund.

Orderly Method (continued)

- Under the stock acquisition, all Pennichuck Corporation subsidiaries and operations remain intact.
- All subsidiaries will continue to benefit from integrated operations.
- All three water utilities will continue to be regulated by the PUC.
- Current operating management will continue to run the business.
- Current employees will continue to maintain and operate the facilities.
- Customers of all subsidiaries will continue to receive the same services from the same people.
- In short, the stock acquisition will cause little or no disruption for customers or employees.

Financial Benefit

- Under the Eminent Domain proceeding, Nashua would have paid a total of \$243 million (\$203 million for PWW plus \$40 million for the mitigation fund).
- Under the stock acquisition, Nashua will pay \$138 million for the shares and assume about \$60 million in debt for a total of about \$198 million.
- The stock acquisition has the following financial benefits for Nashua and its customers as compared to the eminent domain taking:
 - Lower total cost (\$198 million vs. \$243 million).
 - More assets acquired (all three utilities, plus the water services company, plus the land owned by Pennichuck).
 - Retain cost benefits of integrated operations.

Financial Benefit (continued)

- The related question is: Will ratepayers benefit from this transaction as compared to the status quo?
- Our analysis shows rates for all ratepayers will be lower under City ownership than they would have been under current ownership.
- We have presented our analysis to the Board of Aldermen and to the public.
- That presentation will be made again later today.
- Ultimately, the PUC will determine if this transaction is in the best financial interests of ratepayers. A positive determination is required for their approval.